COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 17, 2002

JOINT PETITION OF

COMCAST BUSINESS COMMUNICATIONS
OF VIRGINIA, LLC, CASE NO. PUA-2002-00010

JONES TELECOMMUNICATIONS OF VIRGINIA, INC.,

and

COMCAST CORPORATION

For approval of transfer of ultimate
control of Comcast Business Communications
of Virginia, Inc.

ORDER GRANTING APPROVAL

On March 5, 2002, Comcast Business Communications of Virginia, LLC ("CBC"),[1] Jones Telecommunications of Virginia, Inc. ("Jones-VA"),[2] and Comcast Corporation ("Comcast") filed a joint petition with the State Corporation Commission ("Commission") requesting approval, pursuant to § 56-88.1 of the Code of Virginia ("Code"), to transfer ownership and control of

[1] CBC is authorized to provide local and interexchange telecommunications services in Virginia. See Case No. PUC-2000-00294, Certificate Nos. TT-141A and T-546 dated March 23, 2001.

[2]By Order dated June 28, 1996, in Case No. PUC-1996-00003, Jones-VA was granted a certificate to provide local exchange telecommunications services within the City of Alexandria and the counties of Arlington, Fairfax, and Prince William, including all cities and incorporated areas within those counties.

Comcast, the ultimate parent of CBC and Jones-VA to a newly-created ultimate parent, AT&T Comcast Corporation ("AT&T Comcast"). Jones-VA and CBC together are referred to as "Comcast Subsidiaries." Jones-VA, CBC, and Comcast are collectively referred to as " Petitioners."

Comcast Business Communications, Inc. ("Comcast Inc."), is a Virginia limited liability company headquartered in Morrestown, New Jersey, and is a wholly owned subsidiary of Comcast Business Communications Holdings, Inc. ("Holdings"), which, in turn, is a wholly owned, indirect subsidiary of Comcast. Comcast Inc. is the parent of CBC.

Jones-VA is a Virginia corporation and is a wholly owned, indirect subsidiary of Comcast Cable Communications, Inc., which, in turn, is a wholly owned subsidiary of Comcast. Through Jones-VA and other affiliates, Comcast provides telephony services to approximately 46,000 customers in a number of its cable franchise areas in Virginia and Michigan.

All of the stock of the Comcast Subsidiaries is indirectly owned by Comcast, a publicly traded Pennsylvania corporation located in Philadelphia, Pennsylvania. Comcast is primarily engaged in the development, management, and operation of broadband cable networks. Although publicly held, approximately 86.7% of the voting power of Comcast is held by Sural LLC, which is controlled by Brian L. Roberts, President of Comcast. Sural

LLC holds approximately 3% of the total equity of Comcast, but its shares have enhanced voting rights.

As a result of the transactions described in the joint petition, Comcast will become a wholly owned subsidiary of AT&T Comcast, a Pennsylvania corporation also headquartered in Philadelphia, Pennsylvania. Currently, AT&T Comcast is a "shell" company, equally owned by AT&T Corp. and Comcast.

AT&T Corp. ("AT&T"), a publicly traded New York corporation headquartered in New York, New York, that currently operates its broadband business as the AT&T Broadband unit. AT&T has formed AT&T Broadband Corp., now a shell company, to hold the business comprising the AT&T Broadband unit, and this corporation will become a subsidiary of AT&T Comcast.[3] AT&T Broadband is and will continue to be headquartered in Englewood, Colorado.

Pursuant to an Agreement and Plan of Merger dated December 19, 2001, between Comcast and AT&T (the "Agreement"), AT&T Comcast is being formed to hold AT&T Corp.'s broadband business[4] and all of Comcast's businesses. Upon completion of the transaction, Comcast will be a wholly owned subsidiary of AT&T Comcast. The broadband business will be conducted through

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[3] Both the existing unit and the new corporation are referred to herein as "AT&T Broadband."

[4] The transfer of AT&T Broadband from AT&T to AT&T Comcast is the subject of a separate but concurrent joint petition filed with the Commission on March 7, 2002 ("AT&T Broadband Petition"). That case was docketed PUA-2002-00012.

a separate subsidiary of AT&T Comcast. The Petitioners represent that the change in Comcast's control will not affect the identities of the utilities providing services, CBC and Jones-VA, or the rates, terms, and conditions under which services are currently being provided in Virginia. The only change is that the ultimate owner of the Comcast Subsidiaries will be AT&T Comcast Corporation, rather than Comcast.

On March 29, 2002, the Commission issued its Order for Notice and Comment. On April 5, 2002, the Commission issued an Order granting the Petitioners' request to publish the notice prescribed in the above-referenced order as classified advertising rather than display advertising. That Order also extended the period of review of the joint petition through July 31, 2002, and extended the procedural schedule established in the Commission's March 29th Order. Petitioners filed proofs of notice and service on May 9, 2002.

On May 20, 2002, the county of Arlington, Virginia (the "County"), filed Comments on the joint petition. In its Comments, the County expressed concern regarding the financial ability of AT&T Comcast to meet its service obligations under a cable certificate granted by the County. The County, therefore, requested the Commission to pay particular attention to the financial aspect of the joint petition.

On May 31, 2002, Staff filed its Report. Staff reviewed the proposed transactions from a financial standpoint, with respect to the actual and potential effects of such transactions on telecommunications competition in Virginia, and with respect to the effect of those transactions on rates and service in Virginia. Such rates and services were examined to the extent of the Commission's jurisdiction in the matter; namely, CBC and Jones-VA, the Virginia telecommunications operating entities.

Staff had no objection to the approval of the proposed transactions from a financial perspective.

In evaluating the joint petition with respect to competitive activity in Virginia, Staff considered the merger transactions' effect on CBC and Jones-VA. Staff evaluated the long distance and local exchange markets with respect to any actual or potential anti-competitive effects of the merger and the resulting negative impact on just and reasonable rates pursuant to § 56-90 of the Code.

Staff found that the potential for interexchange competition should not be affected by the transfer of control of CBC and Jones-VA since those companies would not likely have competed against each other.[5] With respect to the local exchange market, Staff considered the combined transfer of control of CBC

[5] CBC does not have an approved interexchange tariff in Virginia. Jones-VA is not certificated to provide interexchange telecommunications services in Virginia.

and Jones-VA to AT&T Comcast, along with the transfer of control of AT&T Broadband Phone of Virginia, Inc., to AT&T Comcast. Staff found that such transfers would likely have no negative effect on the potential for competition in that market. The service territories for cable companies are separate, and each entity generally competes for local exchange service in the territory where it provides cable service. Staff, therefore, did not object to the proposed change of control of CBC and Jones-VA as it relates to current or potential interexchange or local exchange competitive activity in Virginia.

Staff had a concern regarding Jones-VA's service quality performance, primarily with regard to billing complaints. Staff, however, did not oppose the change in ownership and control of CBC and Jones-VA from Comcast to AT&T Comcast, subject to the following requirements:

1. Jones-VA shall begin reporting service quality results pursuant to 20 VAC 5-400-80 or any other service quality standard the Commission may adopt, beginning with the first full month following Commission approval of the change of control.

2. Jones-VA must achieve a satisfactory rating in all relevant service quality areas pursuant to 20 VAC 5-400-80 or any other service quality standards the Commission may adopt, beginning with the 4th quarter 2002 reporting period.

Staff also recommends that a report of action be filed within 30 days of consummating the merger transactions wherein the Petitioners notify the Commission that such transactions have taken place.

On June 17, 2002, the Petitioners filed a Response to the Staff's Report in the above-captioned matter ("Response"). In their Response, the Petitioners request the Commission to approve the transactions set forth in their joint petition without requiring the service reporting detailed in Staff's Report.

In support of their request, the Petitioners state that Jones-VA is implementing a new Billing and Operational Support System ("OSS") that will address many of the shortcomings of the current system that gave rise to the billing complaints noted in Staff's Report. Implementation of such System is expected to be complete during the third quarter of 2002. The Petitioners also state that Jones-VA had no deficiencies with respect to other service standards as set forth in the Commission's Rules Governing Service Standards for Local Exchange Telephone Companies ("Rules"), 20 VAC 5-400-80, and that it should not be required to report service quality results that other similarly situated competitive local exchange carriers are not required to report.[6] Finally, the Petitioners state that Jones-VA commits to take all necessary steps to achieve a satisfactory rating in all relevant service quality areas pursuant to the Rules. The Petitioners note existing remedies available to the Commission if Jones-VA's service falls below the criteria established in the Rules.[7] The Petitioners request that, if the Commission determines that service reporting requirements are necessary, such reporting should be required only for a limited duration.

NOW THE COMMISSION, having considered the joint petition, the Comments on the joint petition, the Staff Report, and the Response thereto, is of the opinion and finds that approval of the joint petition will not jeopardize or impair adequate service at just and reasonable rates. We will approve the joint petition without service quality reporting requirements. We recognize that Jones-VA is in the process of implementing a new billing system, and we would expect billing complaints to continue to decrease with the completion of that system. We note, however, that, although companies under the 20,000 access line threshold are not required to report service quality results, such companies must be in a position to obtain such

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[6] Because Jones-VA does not provide service to more than 20,000 access lines, it would not otherwise be obligated to provide reports to the Commission's Division of Communications. CBC does not as yet serve any customers in Virginia.

[7] The Petitioners specifically reference §§ 56-247, 56-483, and 12.1-33 of the Code.

data in the event Staff should request it. We will, therefore, expect CBC and Jones-VA to have such data available upon request.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to §§ 56-88.1 and 56-90 of the Code, approval is hereby granted for the Agreement and Plan of Merger, as described in the joint petition.

(2) The Petitioners shall file a Report of Action with the Clerk of the Commission no later than 30 days following the consummation of the merger transactions described in their joint petition.

(3) There being nothing further to be done in this matter, it is hereby dismissed.